

# SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Hollingsworth Analyst: Jane Tolman Bill Number: AB 1887

Related Bills: See Prior Analysis Telephone: 845-6111 Amended Date: 04-25-2002

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Exclusion/Social Security Retirement Income & Federal Civil Service Retirement Annuity Income

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED

☒ February 5, 2002 STILL APPLIES.

OTHER - See comments below.

## SUMMARY

This bill would exclude certain retirement income attributable to federal civil service from taxation.

## SUMMARY OF AMENDMENTS

The April 25, 2002, amendments:

- deleted the reference to Social Security, and
- defined "qualified civil service retirement annuity" to mean that federal employees who contribute to their pension but who receive a reduced Social Security will be covered by this bill.

These amendments resolved the technical consideration discussed in the department's analysis of the bill as introduced February 5, 2002. The new revenue estimate is provided below. The remainder of the department's prior analysis still applies.

## POSITION

Pending.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

5/8/02

Revenue Estimate

Revenue Impact Tax Years Beginning After December 31, 2001 Enactment Assumed After June 30, 2002 (\$ Millions)			
Fiscal Year	2002-03	2003-04	2004-05
CSRS	-32	-24	-25

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion

This revenue estimate takes into account the changes made by the April 25, 2002, amendments. The bill no longer allows the exclusion to all taxpayers in the federal civil service, but limits it to those taxpayers who have opted to participate in the Civil Service Retirement System (CSRS).

Revenue losses were estimated by the use of the personal income tax model (based on adjusted gross income) to simulate the exemption of pension income. From national data, it is known that federal civil service retirement benefits compose 11% of all retirement annuities (public and private). This percentage was applied to the total amount of California taxable pension income projected by the tax model to derive an estimate. Of this amount, 10.9 % was attributable to CSRS annuitants.

**LEGISLATIVE STAFF CONTACT**

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